

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 IO-10 AS-01

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R 190920Z NOV 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4982

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

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PASS TREASURY, FEDERAL RESERVE AND LABOR

E.O. 11652: N/A

TAGS: ECON, EFIN, ELAB, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF NOV 12 - 19

1. SUMMARY: LATEST SET OF INDICATORS CONFIRM THAT PRODUCTION AND SHIPMENTS ARE IN RECOVERY STAGE, BUT THERE ARE STILL CONFLICTING SIGNS REGARDING STRENGTH OF DOMESTIC DEMAND. IN SEPT, BOARD MONETARY AGGREGATES INCREASED MORE SLOWLY, ALTHOUGH A MORE EXPANSIONARY MONETARY POLICY IS BEING FOLLOWED. EXPORT SALES CONTINUE TO PICK UP AND IMPORT DEMAND IS BEGINNING TO FOLLOW RISE IN DOMESTIC OUTPUT. END SUMMARY.

2. CONTINUING RECOVERY OF PRODUCTION AND SHIPMENTS CONFIRMED BY REVISED SEPT DATA. MINING AND MANUFACTURING
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PRODUCTION (JEI 212) WAS REVISED UPWARD TO STRONGER 1.6 PERCENT INCREASE OVER AUG FROM 1.4 PERCENT INITIALLY

ESTIMATED. PRODUCERS' SHIPMENTS (JEI 239), ALTHOUGH REVISED SLIGHTLY DOWNWARD FROM INITIAL ESTIMATE, SHOW 1.4 PERCENT INCREASE FROM AUG LEVEL. HOWEVER, AFTER EXCLUDING SHIPS, PRODUCER SHIPMENTS RECORD VERY LARGE 2.1 PERCENT MONTHLY GAIN. RATIO OF INVENTORY TO SHIPMENTS (JEI 253) FELL SLIGHTLY IN SEPT, BUT REMAINS AT HIGH LEVEL.

PRODUCTION, SHIPMENTS, AND INVENTORY TO SHIPMENTS RATIO, S.A.

(INDEX, 1970-100; PCT. CH. FROM PRIOR MO. IN PARENTHESES)

	MIN. AND MFG.	PRODUCERS'	INV. TO SHIP.
	PRODUCTION	SHIPMENTS	RATIO
JULY	112.9 (2.2)	117.5 (3.0)	135.4 (-2.9)
AUG	111.2 (-1.5)	114.7 (-2.4)	139.6 (3.1)
SEPT	113.0 (1.6)	116.3 (1.4)	139.3 (-0.2)

3. JAPAN'S EXPORTS (JEI 44) ROSE 8.8 PERCENT IN OCT ON SEASONALLY ADJUSTED BASIS. HEALTHY INCREASE, FOLLOWING MODEST RISE IN PREVIOUS MONTH, RESTORED EXPORTS VERY NEAR TO HIGH LEVEL OF \$4,880 MIL/MONTH IN FIRST QUARTER. IMPORTS (JEI 48) ALSO ROSE FOR SECOND CONSECUTIVE MONTH CONFIRMING THAT DOMESTIC RECOVERY IS NOW HAVING POSITIVE IMPACT ON IMPORT DEMAND. (FOR FURTHER DETAILS SEE TOKYO 16519-20.)

EXPORTS AND IMPORTS IMF BASIS, S.A.

(MIL DOLLARS; PCT. CH. FROM PRIOR MO. IN PARENTHESES)

	EXPORTS	IMPORTS	BALANCE
AUG	4,287 (-1.4)	3,894 (-3.0)	393
SEPT	4,326 (0.9)	4,356 (11.9)	- 30
OCT	4,707 (8.8)	4,406 (1.1)	301

4. THE MONEY SUPPLY DECLINED IN SEPT AFTER RECORDING LARGE INCREASES IN THE PRIOR MONTHS. AT THE END OF SEPT THE MONEY SUPPLY NARROWLY DEFINED (M1, JEI 123) DECLINED 3.4 PERCENT AND EVEN FELL BELOW END-OF-JULY LEVEL. BROADLY DEFINED MONEY SUPPLY (M2) DECLINED BY ONLY 0.4 PERCENT IN SEPT. LOANS AND DIS-
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COUNTS OF ALL BANKS CONTINUED TO INCREASE, BUT MONTHLY RISE OF 0.5 PERCENT IN SEPT WAS SMALLEST SO FAR THIS YEAR.

MONEY AND CREDIT, S.A.

(BIL YEN; PCT. CH. FROM PRIOR MO. IN PARENTHESES)

	M1	M2	LOANS AND DISCOUNTS
JULY	45,064 (2.2)	114,643 (1.3)	83,880 (1.0)
AUG	46,504 (3.2)	116,979 (2.0)	84,935 (1.3)
SEPT	44,929 (-3.4)	116,494 (-0.4)	85,389 (0.5)

5. PUBLIC CONSTRUCTION EXPENDITURES FELL SHARPLY IN AUG AFTER RECORDING LARGE INCREASES IN THE TWO PREVIOUS MONTHS. DESPITE THE DECLINE, AUG EXPENDITURES (JEI 164, WHICH SHOWS ACTUAL CASH

DISBURSEMENTS FOR PUBLIC CONSTRUCTION, SEASONALLY ADJUSTED) REMAIN ABOVE THE MONTHLY AVERAGES FOR THE FINAL QUARTER OF 1974 AND THE FIRST TWO QUARTERS OF 1975.

PUBLIC CONSTRUCTION EXPENDITURE, S.A.

	(BIL YEN)	(PCT. CH. FROM PRIOR MO.)
JUNE	313.6	75.6
JULY	397.7	26.8
AUG	298.9	124.8

6. PLANT AND EQUIPMENT SPENDING WILL SHOW MODEST RISE IN CURRENT SIX-MONTH PERIOD ENDING MARCH 1976. THIS FOLLOWS SMALL DECLINE IN PRIOR HALF YEAR, ACCORDING TO SURVEY OF BUSINESS INVESTMENT PLANS CONDUCTED BY ECONOMIC PLANNING AGENCY. SURVEY, WHICH COVERS OVER EIGHT THOUSAND FIRMS WITH COMBINED OUTPUT EQUAL TO 46 PERCENT OF JAPAN'S GNP, INDICATES THAT FIXED INVESTMENT PLANNED BY BUSINESS FOR OCT 1975-MARCH 1976 PERIOD IS UP 4.5 PERCENT FROM PRIOR HALF YEAR; SURVEY ALSO SHOWED THAT IN APRIL-SEPT 1975 BUSINESS FIXED INVESTMENT DIPPED 1.8 PERCENT FROM LEVEL OF PREVIOUS SIX MONTHS. FOR ENTIRE FISCAL YEAR 1975, EPA SURVEY INDICATES THAT INVESTMENTS WILL DECLINE 0.9 PERCENT OVERALL, WITH 5.7 PERCENT FALL IN MANUFACTURING SECTOR OUTWEIGHING 5.0 PERCENT RISE FOR NONMANUFACTURING. WHILE EPA INTERPRETS THE NEW SURVEY RESULTS AS AN INDICATION THAT BUSINESS FIXED INVESTMENT IS NOW IN THE PROCESS OF RECOVERING, THE EXPENDITURE

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PLANS ARE MUCH LESS OPTIMISTIC THAN A SIMILAR SURVEY CONDUCTED IN AUG BY JAPAN DEVELOPMENT BANK. IT PROJECTED A RISE FOR FULL FISCAL YEAR OF 5.5 PERCENT (TOKYO A-460) IN CONTRAST TO MORE COMPREHENSIVE EPA SURVEY NOW INDICATING DECLINE OF 0.9 PERCENT.

7. STEEL INDUSTRY'S FIVE MAJOR COMPANIES REPORTED LOSSES TOTALLING \$97 MIL IN SIX MONTHS ENDING SEPT IN CONTRAST TO PROFITS OF \$410 MIL IN PREVIOUS SEMIANNUAL ACCOUNTING PERIOD. HARDEST HIT WAS KOBE STEEL WHICH SAID TQT 32 PERCENT DROP IN EXPORTS BELOW PRECEDING HALF YEAR HAD PUT COMPANY IN THE RED BY \$74 MIL. NIPPON STEEL, JAPAN'S LARGEST CORPORATION, REPORTED LOSS OF \$48 MIL. INDUSTRY IS SEEKING TO IMPROVE PROFIT POSITION BY RAISING DOMESTIC STEEL PRICES BY AN ADDITIONAL \$10/METRIC TON AFTER NEGOTIATING A \$22.50/TON PRICE HIKE WITH MAJOR BUYERS THIS PAST AUG. SALES FOR THE BIG FIVE DURING THE APRIL-SEPT PERIOD TOTALLED SLIGHTLY LESS THAN \$10 BIL

OR 6.1 PERCENT BELOW PRECEDING HALF YEAR.
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